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## FISCAL IMPACT REPORT

**SPONSOR** SFC **ORIGINAL DATE** 02/01/13 **LAST UPDATED** 03/11/13 **HB** \_\_\_\_\_  
**SHORT TITLE** Chile Production Gross Receipts **SB** 129/SFCS  
**ANALYST** Smith

### REVENUE (dollars in thousands)

| Estimated Revenue |           |           |           |           | Recurring<br>or<br>Nonrecurring | Fund<br>Affected     |
|-------------------|-----------|-----------|-----------|-----------|---------------------------------|----------------------|
| FY13              | FY14      | FY15      | FY16      | FY17      |                                 |                      |
|                   | (\$300.0) | (\$315.0) | (\$318.0) | (\$321.0) | Recurring                       | General Fund         |
|                   | (\$200.0) | (\$210.0) | (\$212.0) | (\$214.0) | Recurring                       | Local<br>Governments |
|                   | (\$500.0) | (\$525.0) | (\$530.0) | (\$535.0) | Recurring                       | Total                |

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicate to HB 237

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Department of Agriculture (NMDA)  
Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

The Senate Finance Committee substitute for House Bill 129 amends creates a new deduction from the gross receipts tax compensating tax for equipment directly related to chile production or chile processing.

Effective Date: From July 1, 2013, through June 30, 2019.

### FISCAL IMPLICATIONS

The TRD notes that New Mexico's chile crop has faced steady decline in recent years, although 2011 showed some improvement over 2010's historic low. 9,500 acres were harvested in 2011

compared with the historic high of 34,500 acres harvested in 1992. According to a USDA report, the 2011 crop itself was estimated at \$46.7 million compared to \$41.6 million in 2010. The value of the chile industry as a whole is much higher, estimated to be about \$300 million annually.

Estimates are forecast based on the BBER FOR-UNM December 2012 forecast for agricultural employment. The General Fund is estimated to bear 60 percent of the revenue impact with the remaining 40 percent falling to local governments.

The spending by chile growers on agricultural implements is expected to be partly captured under the existing deduction for agricultural implements (Section 7-9-62). That deduction is only for 50 percent of the value, so taking this deduction would be advantageous. Barring the possibility for double dipping, any chile producers taking this deduction would decrease the amount of that deduction.

### ADMINISTRATIVE IMPLICATIONS

The TRD is upgrading its data systems relating to GenTax, requiring that the systems be “locked-down” to any modification until July 1, 2013. The Department’s IT resources are fully engaged with contractors during this period to test and validate the systems’ upgrades, and pursuant to contractual agreements and best-practice standards may not undertake systems changes until system upgrade verifications are completed. The TRD’s IT personnel are unavailable to begin to develop systems modifications (e.g., new deductions, data reporting, functionality, etc.) until after July 1st, and therefore **NO SYSTEMS CHANGES CAN BE IMPLEMENTED UNTIL OCTOBER 1, 2013** to allow adequate time for development, testing and verification of any new system requirements.

As a result the TRD will not be able to implement the GenTax modifications necessary to record and claim the tax deduction/credit until at least October 1, 2013, after the effective date of the legislation.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy:** Revenue should be adequate to fund needed government services.
2. **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity:** Different taxpayers should be treated fairly.
4. **Simplicity:** Collection should be simple and easily understood.
5. **Accountability:** Preferences should be easy to monitor and evaluate